Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 11/8/2001

GAIN Report #MX1201

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, Issue #40

2001

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Report Highlights:
U.S. Agricultural Products To Reach Record Levels In 2001*Distribution Of Mexican Avocados In The U.S. Increased*Selected Pork Products Exceed NAFTA Safeguard Quota*Mexican Rice Producers Demand Government Help*Mexican Government Cuts Another US$330 Million in Spending*Director Appointed For The Expropriated Sugar Companies Fund

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Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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U.S. AGRICULTURAL PRODUCTS TO REACH RECORD LEVELS IN 2001

Exports of U.S. Agricultural Fish and Forestry products to Mexico are projected to grow more than 10 percent in 2001 to almost $7.8 billion dollars, despite the slowing Mexico economy, now projected to grow less than one percent this year. Consumer-oriented agricultural products are projected to grow over 17 percent. Leading the growth are sales of pet foods, projected to grow over 100 percent; snack foods, 55 percent; dairy products, 14.5 percent; fresh red meats, 13.6 percent; and fresh fruit, 13 percent. All of these products, as well as poultry, fresh vegetables, tree nuts, and wine and beer are projected to reach record sales levels in 2001. (Source: ATO/Mexico, 11/6/01)

DISTRIBUTION OF MEXICAN AVOCADOS IN THE UNITED STATES INCREASED

On November 1, 2001, The Mexican Avocado Import Program Final Rule was published in the Federal Register. This final rule amends the regulations governing the importation of fruits and vegetables to increase the number of States in which fresh avocado fruit grown in approved orchards municipalities in Michoacan, Mexico, may be distributed. It also lengthens the shipping season during which the Mexican Hass avocados may be imported into the United States. This action was taken in response to a request of the Government of Mexico, made in September1999, and after determining that expanding the current Mexican avocado import program would present a negligible risk of introducing pests into the United States.

Since the 1997/98 season, imports from approved orchards in Michoacan, Mexico, have been allowed to be imported into the United States and distributed in Connecticut, Delaware, the District of Columbia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia, and Wisconsin during the months of November through February. Under this final rule, distribution will be expanded to include the states of Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Utah, and Wyoming. The shipping season will also be expanded to run from October 15 through April 15. (Source: Federal Register (Vol.66, No.212/Rules and Regulations, pp 55530 -55552)

SELECTED PORK PRODUCTS EXCEED NAFTA SAFEGUARD QUOTA

On November 5, 2001, Mexico announced that the quantity of select pork products (HS 0210.11.01 and 0203.29.99) imported from the United States had exceeded the safeguard quota agreed to under NAFTA. As a result, starting November 6, 2001, the tariff will increase to 10 and 20 percent from the in-quota rate of 2 and 4 percent. The higher rate will remain in effect through December 31, 2001. (Source: OAA/Mexico City, 11/5/01) For further information, see MX1200.

MEXICAN RICE PRODUCERS DEMAND GOVERNMENT HELP

According to local newspapers, the National Federation of Rice Producers (FNPA) have informed the Mexican government that for the past 16 years, 18,500 rice producers have abandoned planting 222,000 hectares of this grain due to excessive imports of rice and lack of government support. Currently there are 6,500 rice growers planting an area of 43,000 hectares for the fall/winter crop that run the risk of not being able to sell their rice crop of 180,000 metric tons. The fall/winter crop for 2001 represents approximately 35 percent of the total national production and is having a hard time getting sold as a significant quantity of imported rice is still in the market. FNPA has petitioned the government to close the borders to imports of rice until the domestic crop has been sold and to make available support similar to what the U.S. and Canadian rice producers obtain from their governments. (Source: *Universal*, 11/3/01)

MEXICAN GOVERNMENT CUTS ANOTHER US$330 MILLION IN SPENDING

Mexico plans to cut 3 billion pesos (US$330 million) in spending, the third cut this year, as a slowing economy and falling oil exports lead to less revenue than expected. Mexico is trying to keep to its target of holding its budget deficit to US$3.9 billion this year, or 0.65 percent of the gross domestic product (GDP), compared with last year's gap of 1.1 percent of GDP. "With the goal of not exceeding the debt limit approved by Congress, we will carry out a third adjustment," Mexico's Finance Secretariat said as financial figures were released for the January-September period. The Mexican government is faced with an unexpected revenue shortfall as exports to the United States, its major market, slow as the economy there weakens and as oil prices slump. The Mexican economy, which is already in recession, is expected to slow further as the U.S. economy contracts after consumer spending plunged following the September terrorist attacks. The United States buys more than 80 percent of Mexican exports. At the same time, international oil prices have fallen to close to a two-year low and Mexico, along with other oil-producing nations, has cut its crude exports to help maintain oil prices. The cuts, however, lower government revenue as oil sales account for more than a third of its income. By cutting spending, the Mexican government is trying to avoid a larger budget deficit, which could lead to higher interest rates and faster inflation as the need to finance the shortfall raises the cost of borrowing. (Source: *Reforma*, *El Financiero*, *The News*, 11/6/01)

DIRECTOR APPOINTED FOR THE EXPROPRIATED SUGAR COMPANIES FUND

The Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) designated Mr. Jorge Laborin as Director of the Expropriated Sugar Companies Fund, the new state-run company, to take over the 27 sugar mills expropriated on September 3 by the Mexican government. Mr. Laborin is an Industrial and Systems Engineer from the ITEC (Instituto Technologico y de Estudios Superiores de Monterrey). Among other objectives, the Fund will manage the mills and take the necessary measures to keep them working. The Fund will comply with timely payments to sugarcane growers and other debts, establish a financial plan for the optimal operations of the sugar mills, and oversee the selling of the mills. Mr. Laborin will also have to comply with the objectives of the National Sugar Program yet to be published. Objectives of the National Sugar Program include setting domestic and export quotas per mill and developing a financial plan for sugar production and storage. Credit for exports is also being considered. (Source: SAGARPA Bulletin, 10/31/01)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO

Report #	**Title**	**Date**
MX1198	Weekly Highlights & Hot Bites #39	11/1/01
MX1199	Mexico Announces an Increase to the TRQ for Pig Fat and Oils for 2001	11/1/01
MX1200	Pork Imports from U.S. Exceed 2001 Safeguard	11/5/01

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